

**LE MARS COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2015**

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2015  
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**LE MARS COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2015**

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**Board of Education (After September 2013 Election)**

		Term Expires
Scott Kommes	President	2017
Dr. Mark Stelzer	Vice President	2015
Cris Collins	Board Member	2017
Fred Zenk	Board Member	2015
Patrick Murphy	Board Member	2015
Todd Lancaster	Board Member	2017
Brenda Phelan	Board Member	2017

**School Officials**

Dr. Todd Wendt	Superintendent	2015
Lisa Boehm	District Secretary	2015
Kim Clarey	District Treasurer	2015
Bauerly, Trotzig & Bauerly	Attorney	2015



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of  
Le Mars Community School District  
Le Mars, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, Le Mars Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the District's proportionate share of the net pension liability and the schedule of funding progress for the retiree health plan on pages 5 through 16 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2015, on our consideration of the Le Mars Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Le Mars Community School District's internal control over financial reporting and compliance.

  
Certified Public Accountants

Le Mars, Iowa  
October 15, 2015

## **LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS**

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

General fund revenues increased from \$19,673,274 in fiscal year 2014 to \$21,014,078 in fiscal year 2015, while general fund expenditures increased from \$19,683,282 in fiscal year 2014 to \$21,011,966 in fiscal year 2015. The district's general fund balance increased from \$3,068,572 in fiscal year 2014 to \$3,099,705 in fiscal year 2015 a 1.01% increase. The unassigned amount of the general fund balance is \$2,866,370.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Le Mars Community School district as a whole and present an overall view of the District's finances.

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan, and the District's proportionate share of the net pension liability.

Other Supplementary Information provides detailed information about the general fund, the student activity accounts, and the agency fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal grant programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

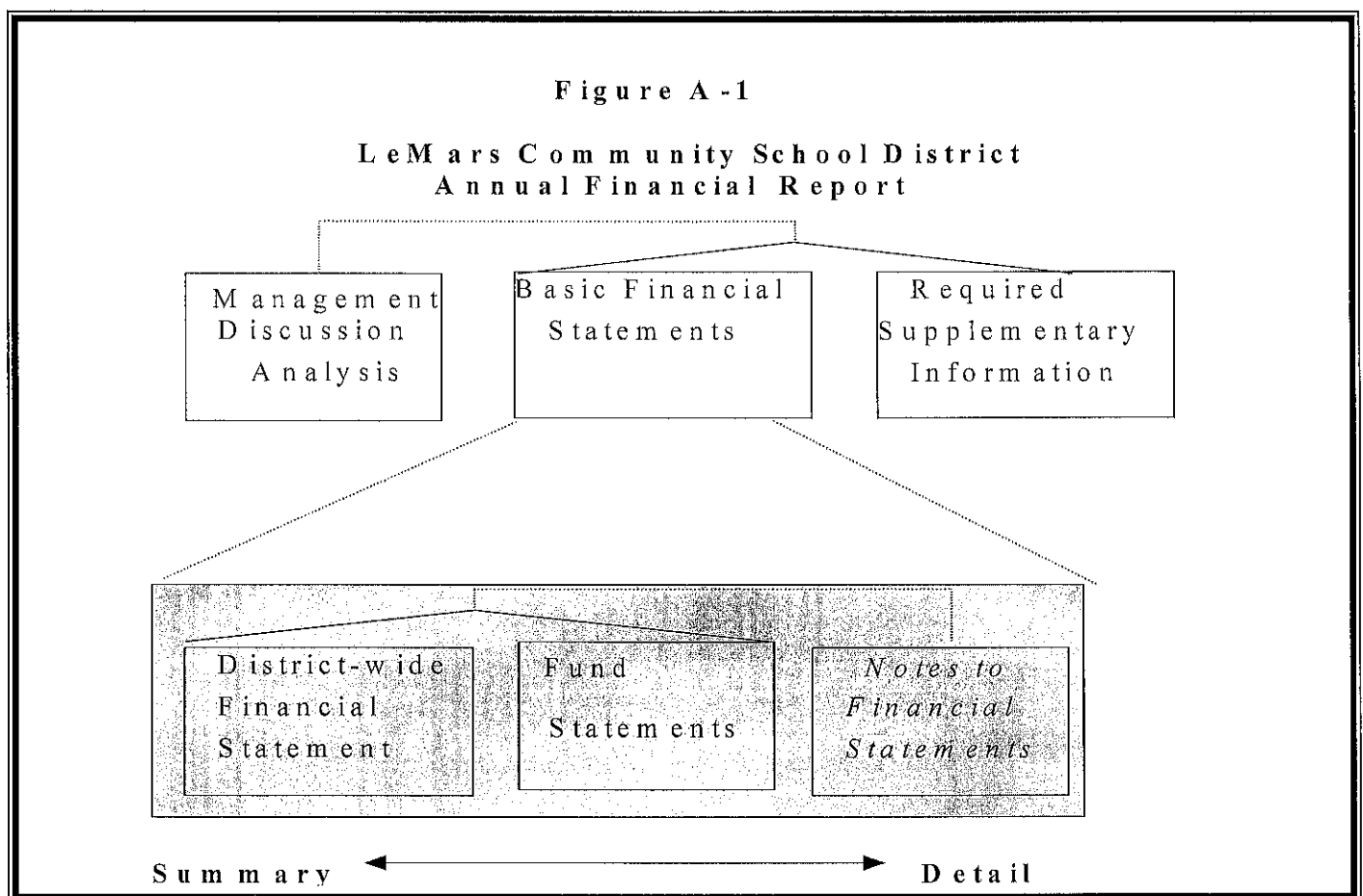




Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the Government-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three types of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its School Nutrition Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the partially self-funded insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The required financial statements for proprietary funds include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2015.

Figure A-3

Condensed Statement of Net Position June 30, 2015 and June 30, 2014

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2014	2015	2014	2015	2014	2015	
Current and other assets	\$19,447,088	\$19,781,099	\$15,743	\$51,201	\$19,462,831	\$19,832,300	1.90%
Capital Assets	21,058,660	21,573,991	36,200	43,874	21,094,860	21,617,865	2.48%
<b>Total assets</b>	<b>40,505,748</b>	<b>41,355,090</b>	<b>51,943</b>	<b>95,075</b>	<b>40,557,691</b>	<b>41,450,165</b>	<b>2.20%</b>
<b>Deferred Outflows of Resources</b>		1,913,213		44,403		1,957,616	-
Long-term debt outstanding	6,781,603	13,912,575	-	179,698	6,781,603	14,092,273	107.80%
Other Liabilities	3,074,551	3,386,529	20,422	18,188	3,094,973	3,410,044	10.18%
<b>Total Liabilities</b>	<b>9,856,154</b>	<b>17,299,104</b>	<b>20,422</b>	<b>197,886</b>	<b>9,876,576</b>	<b>17,502,317</b>	<b>77.21%</b>
<b>Deferred Inflows of Resources</b>	<b>7,663,665</b>	<b>10,857,203</b>		68,531	<b>7,663,665</b>	<b>10,925,734</b>	<b>42.57%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	14,197,057	15,397,589	36,200	43,874	14,233,257	15,441,463	8.49%
Restricted	6,230,334	6,080,004	-	-	6,230,334	6,080,004	(2.41%)
Unrestricted	2,558,538	(6,365,597)	(4,679)	(170,813)	2,553,859	(6,536,410)	(355.94%)
<b>Total net assets</b>	<b>\$22,985,929</b>	<b>\$15,111,996</b>	<b>\$31,521</b>	<b>\$(126,939)</b>	<b>\$23,017,450</b>	<b>\$14,985,057</b>	<b>(34.90%)</b>

The District's combined net position decreased by 34.90% from \$23,017,450 to \$14,985,057 due to the recording of net pension liability required by GASB 68. FY15 is the first year for GASB 68. The largest portion of the District's net position is the net investment in capital assets. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$150,330 or 2.41% from the prior year.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$150,330 or 2.41% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$9,090,269 or 355.94% from the prior year. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year as required by GASB 68.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$9,379,899 and \$217,692, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Changes in net position** – Figure A-4 shows the changes in net position from operations for the year ended June 30, 2015.

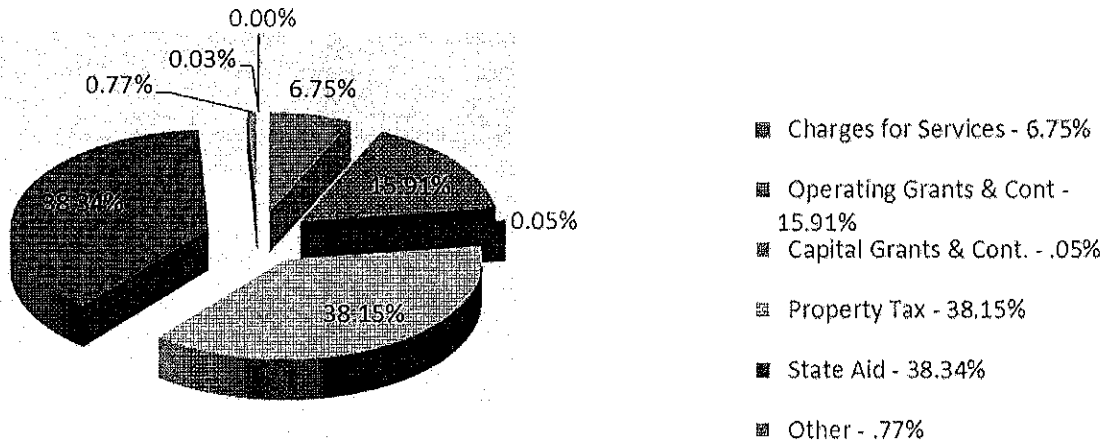
Figure A-4  
Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2014	2015	2014	2015	2014	2015	
Revenue							
Program Revenues							
Charges for Services	\$1,327,513	\$1,276,026	\$396,004	\$437,961	\$1,723,517	\$1,713,987	(0.55%)
Operating Grants & Contributions	2,872,370	3,575,402	461,568	462,152	3,333,938	4,037,554	21.10%
Capital Grants & Cont.	33,879	13,864	-	-	33,879	13,864	(59.08%)
General Revenues					-	-	
Property & Sales Tax	9,563,859	9,682,588	-	-	9,563,859	9,682,588	1.24%
State Aid	9,320,868	9,730,525	-	-	9,320,868	9,730,525	4.40%
Other	117,542	196,595	88	84	117,630	196,679	67.20%
Capital Contribution	-	-	-	7,348	-	7,348	-
Transfers	(7,772)	(9,426)	7,772	9,426	-	-	-
<b>TOTAL REVENUES</b>	<b>23,228,259</b>	<b>24,465,574</b>	<b>865,432</b>	<b>916,971</b>	<b>24,093,691</b>	<b>25,382,545</b>	<b>5.35%</b>
Expenses							
Instruction	15,329,301	15,699,958	-	-	15,329,301	15,699,958	2.42%
Support Services	5,641,102	,679,610	871,407	857,737	6,512,509	6,537,347	0.38%
Debt Services	207,049	198,829	-	-	207,049	198,829	(3.97%)
Facilities/Equip Acquisition	133,983	459,466	-	-	133,983	459,466	242.96%
Intergovernmental	885,980	921,745	-	-	885,980	921,745	4.04%
<b>TOTAL EXPENSES</b>	<b>22,197,415</b>	<b>22,959,608</b>	<b>871,407</b>	<b>857,737</b>	<b>23,068,822</b>	<b>23,817,345</b>	<b>3.24%</b>
<b>INCREASE(DECREASE)</b>	<b>1,030,844</b>	<b>1,505,966</b>	<b>(5,975)</b>	<b>59,234</b>	<b>1,024,869</b>	<b>1,565,200</b>	<b>52.88%</b>
Net Position - Beginning	21,955,085	22,985,929	37,496	31,521	21,992,581	23,017,450	4.66%
Prior Period Adjustment		(9,379,899)		(217,694)	-	(9,597,593)	-
Net Position -Beginning as Restated	21,955,085	13,606,030	37,496	(186,173)	21,992,581	13,419,857	(38.98%)
<b>Net Position - Ending</b>	<b>\$22,985,929</b>	<b>\$15,111,996</b>	<b>\$31,521</b>	<b>\$(126,939)</b>	<b>\$23,017,450</b>	<b>\$14,985,057</b>	<b>(34.90%)</b>

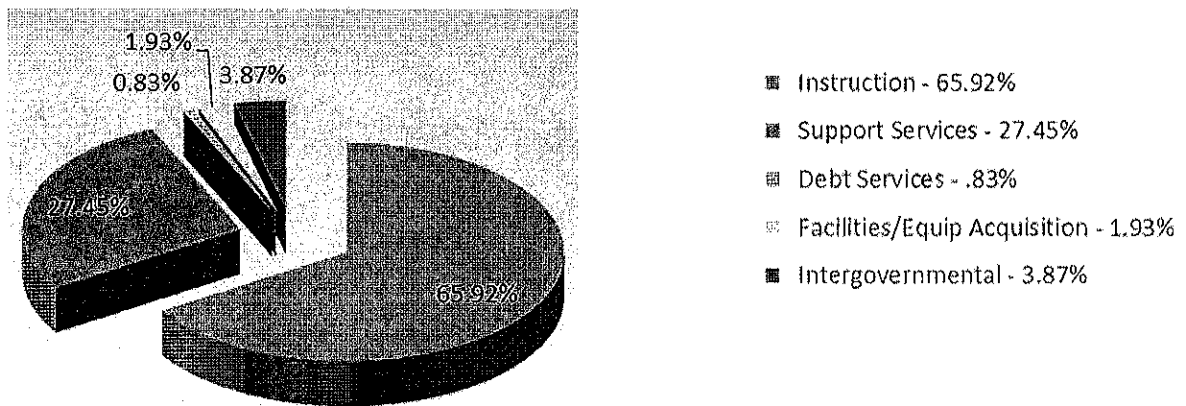
In fiscal year 2015, property tax, local option sales tax, and unrestricted state grants accounted for 79.35% of governmental activities revenue while charges for service and operating grants and contributions accounted for 98.16% of business-type activities revenue. The District's total revenues were approximately \$25.4 million, of which approximately \$24.5 million was for governmental activities and approximately \$900,000 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.35% increase in revenues and a 3.24% increase in expenses. The increase in expenses in primarily related to increases in negotiated salaries and benefits.

**Figure A - 5**  
**Sources of Revenue for Fiscal Year 2015**



**Figure A-6**  
**Expenses for Fiscal Year 2015**



## Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7

### Net Cost of Governmental Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2015		2014	2015	
Instruction	\$15,329,301	\$15,699,958	2.42%	\$ 12,375,040	\$12,127,587	(2.00%)
Support Services	5,641,102	5,679,610	0.68%	5,247,581	5,308,434	1.16%
Debt Service	207,049	198,829	-3.97%	207,049	198,829	(3.97%)
Other Expend.	133,983	459,466	242.93%	133,983	459,466	242.93%
Intergovernmental	885,980	921,745	4.04%	-	-	-
<b>TOTAL</b>	<b>\$22,197,415</b>	<b>\$22,959,608</b>	<b>3.43%</b>	<b>\$ 17,963,653</b>	<b>\$18,094,316</b>	<b>0.73%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,276,026.
- Federal and state grants subsidized programs with grants totaling \$2,906,249 for 2014 compared to \$3,589,266 for 2015.
- The net cost of governmental activities was financed with \$9,682,588 in property and other taxes and \$9,730,525 in unrestricted state grants.

## Business-Type Activities

Revenues and transfers of the District's business-type activities (school food and nutrition services) totaled \$916,971 and expenses totaled \$857,737 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and transfers.

## Individual Fund Analysis

As previously noted, Le Mars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$9,192,155 compared to a fund balance of \$9,335,737 for fiscal 2014.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The increase in the District's General Fund balance was primarily a result of the use of the cash reserve levy resulting in an increase of 1.01%.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$520,505 in fiscal 2014 to \$460,008 in fiscal 2015. This decrease is due to capital expenditures continuing to exceed total property tax revenues taken in during the year.

The Statewide Sales, Services and Use Tax fund balance decreased from \$3,931,177 in fiscal 2014 to \$3,893,200 in fiscal 2015. This decrease was primarily due to an increase in expenditures for improvements made throughout the District.

The Management Fund balance decreased from \$650,672 in fiscal 2014 to \$575,414 in fiscal 2015. The decrease is due to reducing the levy for the Management Fund.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net position decreased from \$31,521 at June 30, 2014 to (\$126,939) at June 30, 2015, representing a decrease of 502.7%. The decrease was due to the recording of the net pension liability recorded which is required by GASB 68. The actual change in net position increased \$59,234 due to the increase in meal prices.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2015 budget was amended by the Board of Education in accordance with the Code of Iowa. During the year, the expenditures in total did not exceed the total amended published budget amounts. However, the final costs for the instruction services were higher than anticipated for FY2015 by \$267,813. This was due to classifications of expenditures anticipated to be Student Services were actually an Instruction expense.

Total actual revenue was 3.5% more than budgeted, while total actual expenditures were 3.42% less than budgeted. Detail can be found in the supplementary information section of this report as required.



## Capital Asset and Debt Administration

### Capital Assets

By the end of 2015, the District had invested \$34,495,884 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year equaled \$845,984.

Figure A-8 - Capital Assets

	Governmental Activities		Business -Type Activities		Total District	
	2014	2015	2014	2015	2014	2015
Land	\$ 877,136	\$ 877,136	\$ -	\$ -	\$ 877,136	\$ 877,136
Land						
Improvements	205,989	205,989	-	-	205,989	205,989
Const In Progress	36,239	267,991	-	-	36,239	267,991
Buildings	26,354,740	26,730,649	-	-	26,354,740	26,730,649
Equip/Fur/Vehicles	5,664,921	6,307,040	93,589	107,079	5,758,510	6,414,119
<b>TOTAL</b>	<b>\$33,139,025</b>	<b>\$34,388,805</b>	<b>\$93,589</b>	<b>\$107,079</b>	<b>\$33,232,614</b>	<b>\$34,495,884</b>

### Long-Term Debt

At year-end, the District had statewide sales, services and use tax revenue bonds totaling \$6,140,000 compared to \$6,820,000 at June 30, 2014. Additional information about the District's long-term debt is resented in Note 8 to the financial statements.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared, the district was aware of the following existing circumstances that could affect its financial health in the future:

- The declining enrollment trend the district experienced from 2005 to 2011 appears to have somewhat stabilized with more consistent numbers of students in 2012 and 2013. A similar stable number of students for 2015.
- The 2015 legislature and Governor agreed to a 1.25% increase in supplemental state aid for FY16. This inadequate level of general funding for school district operations will continue to stress the financial position of the school district.
- For FY14, FY15, and FY16 the district did maximize use of the cash reserve levy according to Iowa Code. This practice for the past several fiscal years is causing a downward trend in the unspent authorized balance of the school district. This trend needs to be slowed or reversed as the erosion of the unspent authorized balance experienced during the past several fiscal years is concerning. If revenue is not going to increase as a result of an increase in the supplemental state aid and district enrollment, expenditures will have to be reduced during the future budget years.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Todd Wendt, Superintendent, Le Mars Community School District, 940 Lincoln St. SW, Le Mars, IA 51031.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activity	Total	LCS Foundation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,273,180	\$ 42,763	\$ 9,315,943	\$ 16,755
Investments	5,190	-	5,190	229,664
Receivables:				
Property Tax	57,775	-	57,775	-
Succeeding Year Property Tax	7,904,325	-	7,904,325	-
Accounts	2,933	-	2,933	-
Due from Other Governments	587,241	-	587,241	-
Inventories	-	6,579	6,579	-
Prepaid Expenses	358,128	1,859	359,987	-
Restricted Assets:				
Cash and Cash Equivalents	1,592,327	-	1,592,327	-
Land	877,136	-	877,136	-
Construction in Progress	267,991	-	267,991	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	20,428,864	43,874	20,472,738	-
<b>Total Assets</b>	<b>41,355,090</b>	<b>95,075</b>	<b>41,450,165</b>	<b>246,419</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	1,913,213	44,403	1,957,616	*
<b>LIABILITIES</b>				
Accounts Payable	368,279	995	369,274	-
Salaries and Benefits Payable	2,217,045	3,209	2,220,254	-
Accrued Interest Payable	98,825	-	98,825	-
Unearned Revenue	2,000	13,984	15,984	-
Noncurrent Liabilities:				
Due Within One Year:				
Notes	5,380	-	5,380	-
Revenue Bonds	695,000	-	695,000	-
Due in More Than One Year:				
Notes	5,380	-	5,380	-
Revenue Bonds	5,481,402	-	5,481,402	-
Net Pension Liability	7,742,793	179,698	7,922,491	-
Net OPEB Liability	683,000	-	683,000	-
<b>Total Liabilities</b>	<b>17,299,104</b>	<b>197,886</b>	<b>17,496,990</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue -				
Subsequent Year Property Taxes	7,904,325	-	7,904,325	-
Pension Related Deferred Inflows	2,952,878	68,531	3,021,409	-
<b>Total Deferred Inflows of Resources</b>	<b>10,857,203</b>	<b>68,531</b>	<b>10,925,734</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	15,397,589	43,874	15,441,463	-
Restricted for:				
Categorical Funding	86,379	-	86,379	-
Management Levy	575,414	-	575,414	-
School Infrastructure	3,094,700	-	3,094,700	-
Physical Plant and Equipment Levy	460,008	-	460,008	-
Debt Service	1,493,502	-	1,493,502	-
Other Special Revenue Purposes	370,001	-	370,001	-
Unrestricted	(6,365,597)	(170,813)	(6,536,410)	246,419
<b>Total Net Position</b>	<b>\$ 15,111,996</b>	<b>\$ (126,939)</b>	<b>\$ 14,985,057</b>	<b>\$ 246,419</b>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 11,738,224	\$ 318,599	\$ 1,081,782	\$ -
Special Instruction	2,757,861	74,153	1,249,058	-
Other Instruction	1,203,873	802,569	32,346	13,864
Support Services:				
Student Services	627,408	-	42,801	-
Instructional Staff Services	990,440	-	162,019	-
Administration Services	1,845,972	-	-	-
Operation and Maintenance	1,561,774	66,505	-	-
Transportation Services	654,016	14,200	85,651	-
Other Expenditures:				
Facilities Acquisition and Construction Services	459,466	-	-	-
Long-term Debt Interest	198,829	-	-	-
AEA Flowthrough	921,745	-	921,745	-
Total governmental activities	<u>22,959,608</u>	<u>1,276,026</u>	<u>3,575,402</u>	<u>13,864</u>
<b>Business Type Activity:</b>				
Non-instructional Programs:				
Food Service Operations	<u>857,737</u>	<u>437,961</u>	<u>462,152</u>	<u>7,348</u>
Total Primary Government	<u>\$ 23,817,345</u>	<u>\$ 1,713,987</u>	<u>\$ 4,037,554</u>	<u>\$ 21,212</u>
<b>Component Unit:</b>				
LCSD Foundation	<u>\$ 126,373</u>	<u>\$ 2,120</u>	<u>\$ 107,868</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Sale of Assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior Period Adjustment				
Net position - beginning, as restated				
Net position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government		Component Unit
	Business Type Activity	Total	LCSD Foundation
\$ (10,337,843)		\$ (10,337,843)	
(1,434,650)		(1,434,650)	
(355,094)		(355,094)	
(584,607)		(584,607)	
(828,421)		(828,421)	
(1,845,972)		(1,845,972)	
(1,495,269)		(1,495,269)	
(554,165)		(554,165)	
(459,466)		(459,466)	
(198,829)		(198,829)	
-		-	
(18,094,316)		(18,094,316)	
	\$ 49,724	49,724	
(18,094,316)	49,724	(18,044,592)	
			\$ (16,385)
7,421,945	-	7,421,945	-
278,725	-	278,725	-
1,981,918	-	1,981,918	-
9,730,525	-	9,730,525	-
23,360	84	23,444	886
16,140		16,140	-
157,095	-	157,095	-
(9,426)	9,426	-	-
19,600,282	9,510	19,609,792	886
1,505,966	59,234	1,565,200	(15,499)
22,985,929	31,521	23,017,450	261,918
(9,379,899)	(217,694)	(9,597,593)	-
13,606,030	(186,173)	13,419,857	261,918
\$ 15,111,996	\$ (126,939)	\$ 14,985,057	\$ 246,419

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	General	Management Levy
<b>Assets</b>		
Cash and Pooled Investments	\$ 5,075,836	\$ 361,933
Investment	-	-
Receivables:		
Property Tax	53,757	2,309
Succeeding Year Property Tax	7,324,537	299,999
Accounts	2,933	-
Due from Other Governments	280,167	-
Prepaid Expenses	146,956	211,172
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>12,884,186</u>	<u>875,413</u>
<b>Liabilities</b>		
Liabilities:		
Accounts Payable	240,899	-
Salaries and Benefits Payable	2,217,045	-
Unearned Revenue	2,000	-
Total Liabilities	<u>2,459,944</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue -		
Subsequent Year Property Taxes	7,324,537	299,999
Total Deferred Inflows of Resources	<u>7,324,537</u>	<u>299,999</u>
<b>Fund Balances:</b>		
Nonspendable:		
Prepaid Expenses	146,956	211,172
Restricted for:		
Categorical Funding	86,379	-
Debt Service	-	-
Management Levy Purposes	-	364,242
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Unassigned	2,866,370	-
Total Fund Balances	<u>3,099,705</u>	<u>575,414</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,884,186</u>	<u>\$ 875,413</u>

See Accompanying Notes to Financial Statements

Capital Projects					
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds	
\$ 557,940	\$ 2,799,317	\$ -	\$ 364,811	\$ 9,159,837	
-	-	-	5,190	5,190	
1,709	-	-	-	57,775	
279,789	-	-	-	7,904,325	
-	-	-	-	2,933	
-	307,074	-	-	587,241	
-	-	-	-	358,128	
-	798,500	793,827	-	1,592,327	
839,438	3,904,891	793,827	370,001	19,667,756	
99,641	11,691	-	-	352,231	
-	-	-	-	2,217,045	
-	-	-	-	2,000	
99,641	11,691	-	-	2,571,276	
279,789	-	-	-	7,904,325	
279,789	-	-	-	7,904,325	
-	-	-	-	358,128	
-	-	-	-	86,379	
-	798,500	793,827	-	1,592,327	
-	-	-	-	364,242	
-	-	-	370,001	370,001	
-	3,094,700	-	-	3,094,700	
460,008	-	-	-	460,008	
-	-	-	-	2,866,370	
460,008	3,893,200	793,827	370,001	9,192,155	
\$ 839,438	\$ 3,904,891	\$ 793,827	\$ 370,001	\$ 19,667,756	

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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Amounts reported for Governmental Activities in the Statement of Position are different because:

Total Fund Balance - Governmental Funds (page 20)	\$ 9,192,155
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,573,991
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An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance plan provided to user departments and is included in the statement of net position.	97,295
--	--------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(98,825)
--	----------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred Outflows of Resources	\$ 1,913,213	
Deferred Inflows of Resources	<u>(2,952,878)</u>	(1,039,665)

Long-term liabilities, including bonds payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and therefore are not reported in the governmental funds.

Notes	\$ (10,760)	
Revenue Bonds	(6,176,402)	
Net Pension Liability	(7,742,793)	
OPEB Liability	<u>(683,000)</u>	<u>(14,612,955)</u>

Total Net Position - Governmental Activities (page 16)	<u>\$ 15,111,996</u>
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**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General	Management Fund
<b>Revenue:</b>		
Local Sources:		
Local Tax	\$ 7,120,355	\$ 301,590
Tuition	322,661	-
Other	286,802	45,299
State Sources	12,796,258	5,886
Federal Sources	488,002	-
Total Revenue	<u>21,014,078</u>	<u>352,775</u>
<b>Expenditures:</b>		
Governmental Activities:		
Instruction:		
Regular Instruction	11,082,384	332,742
Special Instruction	2,833,975	-
Other Instruction	445,407	-
Support Services:		
Student Services	643,097	-
Instructional Staff Services	1,045,191	-
Administration Services	1,885,995	-
Operation and Maintenance	1,467,772	75,144
Transportation Services	686,400	20,147
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Long-term Debt:		
Principal	-	-
Interest and Fiscal Charges	-	-
AEA Flowthrough	921,745	-
Total Expenditures	<u>21,011,966</u>	<u>428,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,112</u>	<u>(75,258)</u>
<b>Other Financing Sources (Uses):</b>		
Transfers In	29,021	-
Transfers Out	-	-
Sale of Real Property	-	-
Total Other Financing Sources (Uses)	<u>29,021</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	31,133	(75,258)
Fund Balances - Beginning of Year	<u>3,068,572</u>	<u>650,672</u>
Fund Balances - End of Year	<u>\$ 3,099,705</u>	<u>\$ 575,414</u>

See Accompanying Notes to Financial Statements

Capital Projects					
Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds	
\$ 278,725	\$ 1,981,918	\$ -	\$ -	\$ 9,682,588	
-	-	-	-	322,661	
1,555	8,048	62	802,569	1,144,335	
4,980	-	-	-	12,807,124	
-	-	-	-	488,002	
285,260	1,989,966	62	802,569	24,444,710	
-	-	-	-	11,415,126	
-	-	-	-	2,833,975	
-	-	-	773,305	1,218,712	
-	-	-	-	643,097	
-	-	-	-	1,045,191	
-	-	-	-	1,885,995	
-	-	-	-	1,542,916	
-	-	-	-	706,547	
345,757	1,145,114	-	-	1,490,871	
-	-	685,380	-	685,380	
-	1,000	204,450	-	205,450	
-	-	-	-	921,745	
345,757	1,146,114	889,830	773,305	24,595,005	
(60,497)	843,852	(889,768)	29,264	(150,295)	
-	-	897,968	-	926,989	
-	(897,968)	-	(38,447)	(936,415)	
-	16,139	-	-	16,139	
-	(881,829)	897,968	(38,447)	6,713	
(60,497)	(37,977)	8,200	(9,183)	(143,582)	
520,505	3,931,177	785,627	379,184	9,335,737	
\$ 460,008	\$ 3,893,200	\$ 793,827	\$ 370,001	\$ 9,192,155	

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 23)	\$ (143,582)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,359,375	
Depreciation expense	<u>(840,168)</u>	519,207

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(3,875)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities.	(61,465)
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The effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	5,200
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	597,441	
Other postemployment benefits	<u>(83,000)</u>	514,441

Accrued interest expense not reported on the modified accrual basis.	6,800
--	-------

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(16,140)
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The repayment of the principal of bonded long-term debt as well as long-term notes payable consume the current resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt or long-term notes payable. The principal paid on these items during the current year was:	<u>685,380</u>
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Change in net position of governmental activities (page 18)	<u>\$ 1,505,966</u>
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**LE MARS COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<b>Business Type Activity School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Pooled Investments	\$ 42,763	\$ 113,343
Inventories	6,579	-
Prepaid Expenses	1,859	-
Total Current Assets	<u>51,201</u>	<u>113,343</u>
<b>Noncurrent Assets:</b>		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>43,874</u>	<u>-</u>
Total Noncurrent Assets	<u>43,874</u>	<u>-</u>
Total Assets	<u>95,075</u>	<u>113,343</u>
<b>Deferred Outflows of Resources</b>		
Pension Related Deferred Outflows	<u>44,403</u>	<u>-</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	995	16,048
Salaries and Benefits Payable	3,209	-
Unearned Revenue	<u>13,984</u>	<u>-</u>
Total Current Liabilities	<u>18,188</u>	<u>16,048</u>
<b>Noncurrent Liabilities</b>		
Net Pension Liability	<u>179,698</u>	<u>-</u>
Total Noncurrent Liabilities	<u>179,698</u>	<u>-</u>
Total Liabilities	<u>197,886</u>	<u>16,048</u>
<b>Deferred Inflows of Resources</b>		
Pension Related Deferred Inflows	<u>68,531</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	43,874	-
Unrestricted	<u>(170,813)</u>	<u>97,295</u>
Total Net Position	<u>\$ (126,939)</u>	<u>\$ 97,295</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Operating Revenues:		
Charges for services	\$ 437,961	\$ 331,045
Total Operating Revenue	437,961	331,045
Operating Expenses:		
Food Service Operations:		
Salaries	326,208	-
Benefits	90,733	-
Purchased Services	19,649	-
Supplies	415,331	-
Depreciation	5,816	-
Other Enterprise Operations:		
Benefits	-	357,399
Purchased Services	-	35,398
Total Operating Expenses	857,737	392,797
Operating (Loss)	(419,776)	(61,752)
Non-Operating Revenues:		
Interest Income	84	287
State Lunch Reimbursements	7,684	-
National School Lunch Program	379,889	-
Federal Food Commodities Received	74,579	-
Total Non-Operating Revenues	462,236	287
Income (Loss) Before Capital Contributions and Transfers	42,460	(61,465)
Transfers In	9,426	-
Capital Contributions	7,348	-
Change in net position	59,234	(61,465)
Net Position - Beginning of Year	31,521	158,760
Prior Period Adjustment	(217,694)	-
Net Position - Beginning of Year, As Restated	(186,173)	158,760
Net Position - End of Year	\$ (126,939)	\$ 97,295

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business Type Activity School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 436,024	\$ -
Cash received from miscellaneous operating activities	-	331,045
Cash payments for salaries and benefits	(430,371)	-
Cash payments for goods and services	(357,106)	(381,529)
<b>Total cash (used) by operating activities</b>	<u>(351,453)</u>	<u>(50,484)</u>
<b>Cash flows from non-capital financing activities:</b>		
Federal and state appropriations received	387,573	-
Transfers from other funds	9,426	-
<b>Total cash provided by noncapital financing activities</b>	<u>396,999</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(6,145)	-
<b>Cash flows from investing activities:</b>		
Interest on investments	84	287
<b>Net increase (decrease) in cash and cash equivalents</b>	39,485	(50,197)
Cash and cash equivalents - beginning of year	3,278	163,540
Cash and cash equivalents - end of year	<u>\$ 42,763</u>	<u>\$ 113,343</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>		
Operating (loss)	(419,776)	(61,752)
Adjustments to reconcile net operating loss to net cash (used) by operating activities:		
Depreciation Expense	5,816	-
Commodities Used	74,579	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Inventory	2,787	-
Prepaid Expenses	1,240	-
Accounts Payable	(732)	11,268
Salaries and Benefits Payable	435	-
Unearned Revenue	(1,937)	-
Net Pension Liability	(64,471)	-
Deferred Outflows of Resources	(17,926)	-
Deferred Inflows of Resources	68,532	-
<b>Net cash (used) in operating activities</b>	<u>\$ (351,453)</u>	<u>\$ (50,484)</u>
<b>Supplemental schedule of noncash investing, capital, and related financing activities:</b>		
Federal food commodities received	<u>\$ 74,579</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AGENCY FUND  
JUNE 30, 2015

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	<u>2015</u>
Cash and Cash Equivalents	<u>\$ 24,725</u>
Total Net Position	<u>24,725</u>
Liabilities:	
Other Payables	<u>24,725</u>
Net Position	<u>\$ -</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2015. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2014.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. The District's internal service fund is classified as a governmental-type activity.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Project - Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The Capital Project – Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, the District reports the following fund types:

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net position and changes in net position. The District's fiduciary fund is as follows:

Agency Fund - To account for assets held by the District as an agent for individuals. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**C. Basis of Accounting/Measurement Focus**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 included certificates of deposit of \$5,190 with original maturity dates longer than three months.

**Due from Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Property Tax Receivable** – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories** – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Prepaid Expenses** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 - 20

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**Long-Term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources** – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**Fund Equity** – In the governmental fund financial statements, fund balances are classified as follows:

***Restricted*** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

***Unassigned*** – All amounts not included in other spendable classification.

**Restricted Net Position** – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction program function exceeded the amount budgeted.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Custodial Credit Risk** – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of non-negotiable certificates of deposit that have original maturities of less than 397 days.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)**

**Discretely Presented Component Unit –**

At June 30, 2015 the LCSD Foundation had non-negotiable certificates of deposit totaling \$159,022 and the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
Mutual Fund – American Funds	Not Rated	\$ 30,624
Annuity	Not Rated	\$ 14,955
Stock	N/A	\$ 16,687

	<b>Credit Risk</b>	<b>Policy Cash Value</b>
New York Life Insurance Policy	Not Rated	\$ 8,376

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$921,745 for the year ended June 30, 2015, and is recorded in the General Fund.

**NOTE 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<b><u>Transfer To</u></b>	<b><u>Transfer From</u></b>	<b><u>Amount</u></b>
Debt Service	Statewide Sales, Services and Use Tax	\$ 897,968
School Nutrition Fund	Student Activity	9,426
General	Student Activity	29,021
Total		<u>\$ 936,415</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 877,136	\$ -	\$ -	\$ 877,136
Construction in Progress	36,239	976,261	744,509	267,991
Total capital assets not being depreciated	913,375	976,261	744,509	1,145,127
Capital assets being depreciated:				
Land Improvements	205,989	-	-	205,989
Buildings	26,354,740	375,909	-	26,730,649
Vehicles	1,715,783	149,100	86,336	1,778,547
Furniture and equipment	3,949,137	602,614	23,258	4,528,493
Total Capital assets being depreciated	32,225,649	1,127,623	109,594	33,243,678
Less: Accumulated Depreciation for:				
Land Improvements	135,750	4,120	-	139,870
Buildings	7,807,240	498,060	-	8,305,300
Vehicles	1,304,979	110,980	86,336	1,329,623
Furniture and equipment	2,832,396	227,008	19,383	3,040,021
Total Accumulated Depreciation	12,080,365	840,168	105,719	12,814,814
Total capital assets being depreciated, net	20,145,284	287,455	3,875	20,428,864
Governmental activities capital assets, net	\$ 21,058,659	\$ 1,263,716	\$ 748,384	\$ 21,573,991
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 93,589	\$ 13,490	\$ -	\$ 107,079
Less: Accumulated Depreciation	57,389	5,816	-	63,205
Business-type activities capital assets, net	\$ 36,200	\$ (4,062)	\$ -	\$ 43,874

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 671,399
Instructional Staff Services	12,726
Operation and Maintenance	45,063
Transportation Services	<u>110,980</u>
Total depreciation expense – governmental activities	<u>\$ 840,168</u>
Business-type activities:	
Food Service Operations	<u>\$ 5,816</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 877,136	\$ -
Construction in Progress	267,991	-
Capital Assets (net of accumulated depreciation)	20,428,864	43,874
Less: Revenue Bonds Payable	<u>6,176,402</u>	-
Net Investment in Capital Assets	<u>\$ 15,397,589</u>	<u>\$ 43,874</u>

**NOTE 6 – PENSION PLAN**

*Plan description* – IPERS membership is mandatory for employees of District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).



**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 6 – PENSION PLAN (CONTINUED)**

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions** - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's total contributions to IPERS for the year ended June 30, 2015 were \$1,264,437.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2015, the District reported a liability of \$7,922,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.195758 percent, which was an increase of 0.005633 from its proportion measured as of June 30, 2013.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6 – PENSION PLAN (CONTINUED)**

For the year ended June 30, 2015, the District recognized pension expense of \$653,127. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 86,102	\$ -
Changes of assumptions	349,637	-
Net difference between projected and actual earnings on pension plan investments	-	3,021,409
Changes in proportion and differences between District contributions and proportionate share of contributions	257,440	-
District contributions subsequent to the measurement date	1,264,437	-
Total	<u>\$ 1,957,616</u>	<u>\$ 3,021,409</u>

\$1,264,437 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	
2016	\$ (593,395)
2017	(593,395)
2018	(593,395)
2019	(593,395)
2020	45,350
	<u>\$ (2,328,230)</u>

There were no non-employer contributing entities at IPERS.

**Actuarial assumptions** – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 to 17 percent average, including inflation. Rates vary by membership group.
Long-term Investment Rate of Return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6 – PENSION PLAN (CONTINUED)**

estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

**Discount rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate** - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease 6.5%</b>	<b>Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
District's proportionate share of the net Pension liability	\$ 14,969,324	\$ 7,922,491	\$ 1,974,234

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan. Beginning in 2011, an employee who has a minimum of 10 years of service and age 55 is provided \$300 per month toward health insurance until they reach the age of Medicare eligibility.

Prior to 2011, an employee who met the years of service and age requirement was provided single coverage health insurance until the age of Medicare eligibility. Premiums are based on the full active employee premium rate.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 282,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	<u>(21,000)</u>
Annual OPEB cost (Expense)	285,000
Contributions made	<u>(202,000)</u>
Increase in net OPEB obligation	83,000
Net OPEB obligation – beginning of year	<u>600,000</u>
Net OPEB obligation – end of year	<u>\$ 683,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 285,000	70.1%	\$ 683,000
2014	\$ 385,000	70.1%	\$ 600,000
2013	\$ 385,000	67.0%	\$ 485,000
2012	\$ 252,000	96.4%	\$ 358,000
2011	\$ 252,000	113.1%	\$ 349,000
2010	\$ 352,000	45.74%	\$ 382,000
2009	\$ 352,000	45.74%	\$ 191,000

*Funded Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$3,356,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,356,000. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$13,100,000 and the ratio of the UAAL to covered payroll was 25.6%. As of June 30, 2015, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 2, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 8% ultimate trend rate. Assumptions include a 3.5% growth in payroll per annum. An inflation rate of 3.5% is assumed for the purpose of this computation. Mortality rates are from the RP 2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014. The participation assumed is 100% for all employees eligible for the District's subsidy and 30% otherwise. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 8 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes	\$ -	\$ 16,140	\$ 5,380	\$ 10,760	\$ 5,380
Revenue Bonds	6,820,000	-	680,000	6,140,000	695,000
Net Pension Liability	10,520,730	-	2,777,937	7,742,793	-
Net OPEB Liability	600,000	83,000	-	683,000	-
Total	\$ 17,940,730	\$ 99,140	\$ 3,463,317	\$ 14,576,553	\$ 700,380

\*The District's revenue bonds are shown net of the bond issue premium of \$36,402 on the Statement of Net Position.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business Type Activities:					
Net Pension Liability	\$ 244,169	\$ -	\$ 64,471	\$ 179,698	\$ -

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

**Notes**

The District entered into a contract with Premier Communications to install a phone system throughout the District. The contract is payable in five yearly installments. During the year ended June 30, 2015, the District made payments of \$5,380 under the agreement. Payments of \$5,380 will be made in each year ended June 30, 2016 and 2017.

**Revenue Bonds**

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 6, 2011			
	Interest Rates	Principal	Interest	Total
2016	2.0%	\$ 695,000	\$ 187,225	\$ 882,225
2017	3.0%	710,000	166,150	876,150
2018	3.0%	730,000	144,550	874,550
2019	3.0%	750,000	122,350	872,350
2020	3.125%	775,000	98,990	873,990
2021-2023	3%-3.625%	2,480,000	134,665	2,614,665
		<u>\$ 6,140,000</u>	<u>\$ 853,930</u>	<u>\$ 6,993,930</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,985,000 of bonds issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs of the high school/middle school expansion projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,993,930. For the current year, principal and interest totaling \$884,450 was paid on the bonds. Total statewide sales, services and use tax revenues were \$1,981,918.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$798,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the revenue bond provisions during the year ended June 30, 2015.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established in 2011 to account for the partial self-funding of the District's health insurance plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$500 to \$1,500 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

	2015	2014
Claims Payable, beginning of year	\$ 4,780	\$ 5,432
Claims Paid	(70,028)	(109,911)
Claims Incurred	64,822	99,699
Claims Payable, end of year	<u>\$ 426</u>	<u>\$ 4,780</u>

**NOTE 11 – CONSTRUCTION COMMITMENTS**

The District has entered into contracts totaling \$855,000 for the new concession building and middle school restroom renovations as of June 30, 2015. Costs of \$148,433 had been incurred against these contracts. The balance of the contracts will be paid as work on the project progresses.

**NOTE 12 CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher Leadership	\$ 9,012
Professional Development for Model Core Curriculum	31,774
Early Literacy Implementation	45,593
	<u>\$ 86,379</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 13 – ACCOUNTING CHANGE / RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Net Position June 30, 2014, as previously reported	\$ 22,985,929	\$ 31,521
Net Pension Liability at June 30, 2014	(10,520,730)	(244,169)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	1,140,831	26,475
Net Position June 30, 2014, as restated	<u>\$ 13,606,030</u>	<u>\$ 186,173</u>



## REQUIRED SUPPLEMENTARY INFORMATION

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Governmental</b>	<b>Proprietary</b>	<b>Total</b>	<b>Final to</b>
	<b>Original</b>	<b>Final</b>	<b>Funds</b>	<b>Fund</b>	<b>Actual</b>	<b>Actual</b>
			<b>Actual</b>	<b>Actual</b>		<b>Variance</b>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 7,662,860	\$ 7,662,860	\$ 9,682,588	\$ -	\$ 9,682,588	\$ 2,019,728
Tuition	313,000	313,000	322,661	-	322,661	9,661
Other	2,771,899	2,771,899	1,144,335	438,045	1,582,380	(1,189,519)
Intermediate Sources	7,500	7,500	-	-	-	(7,500)
State Sources	12,821,284	12,821,284	12,807,124	7,684	12,814,808	(6,476)
Federal Sources	912,000	912,000	488,002	454,468	942,470	30,470
Total Revenue	24,488,543	24,488,543	24,444,710	900,197	25,344,907	856,364
<b>EXPENDITURES:</b>						
Current:						
Instruction	14,529,643	15,200,000	15,467,813	-	15,467,813	(267,813)
Support Services	6,720,691	6,720,691	5,823,746	-	5,823,746	896,945
Non-instructional Programs	884,043	935,000	-	857,737	857,737	77,263
Other Expenditures	2,779,393	3,500,000	3,303,446	-	3,303,446	196,554
Total Expenditures	24,913,770	26,355,691	24,595,005	857,737	25,452,742	902,949
Excess (Deficiency) of Revenues Over Expenditures	(425,227)	(1,867,148)	(150,295)	42,460	(107,835)	1,759,313
Other Financing Sources (Uses):						
Transfers In	884,450	884,450	926,989	9,426	936,415	51,965
Transfers Out	(884,450)	(884,450)	(936,415)	-	(936,415)	(51,965)
Capital Contribution	-	-	-	7,348	7,348	7,348
Sale of Real Property	-	-	16,139	-	16,139	16,139
Total Other Financing Sources (Uses)	-	-	6,713	16,774	23,487	23,487
Net Change in Fund Balances	(425,227)	(1,867,148)	(143,582)	59,234	(84,348)	1,782,800
Fund Balances - Beginning of Year	5,964,330	5,964,330	9,335,737	31,521	9,367,258	3,402,928
Fund Balances - End of Year	\$ 5,539,103	\$ 4,097,182	\$ 9,192,155	\$ (126,939)	\$ 9,065,216	\$ 1,565,106

See accompanying independent auditors' report

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund and internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,441,921. This increase in budgeted expenditures was to adjust for teacher leadership compensation expenditures for instructional programs, increase in cost of commodities purchased and payments on new concession stand.

During the year ended June 30, 2015, expenditures in the instruction program function exceeded the amount budgeted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
District's proportion of the net pension liability	.1997650%
District's proportionate share of the net pension liability	\$ 7,922
District's covered-employee payroll	\$ 13,068
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	56.71%
Plan fiduciary net pension as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,264	\$ 1,167	\$ 1,066	\$ 978	\$ 808
Contributions in relation to the statutorily required contribution	(1,264)	(1,167)	(1,066)	(978)	(808)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 14,154	\$ 13,068	\$ 12,295	\$ 12,119	\$ 11,625
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 820	\$ 722	\$ 722	\$ 648	\$ 614
Contributions in relation to the statutorily required contribution	(820)	(722)	(722)	(648)	(614)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 12,330	\$ 11,370	\$ 11,934	\$ 11,270	\$ 10,678
Contributions as a percentage of covered-employee payroll	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditors' report

**LE MARS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Changes of Benefit Terms:**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**LE MARS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,415	34.32%
2010	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,510	34.04%
2011	July 1, 2010	-	\$ 3,455	\$ 3,455	0.00%	\$ 11,070	31.21%
2012	July 1, 2010	-	\$ 3,455	\$ 3,455	0.00%	\$ 11,200	30.8%
2013	July 1, 2012	-	\$ 4,570	\$ 4,570	0.00%	\$ 11,300	40.4%
2014	July 1, 2012	-	\$ 4,570	\$ 4,570	0.00%	\$ 12,100	37.8%
2015	July 1, 2014	-	\$ 3,356	\$ 3,356	0.00%	\$ 13,100	25.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditors' report



## OTHER SUPPLEMENTARY INFORMATION

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 7,108,304
Mobile Home Tax	12,051
	<u>7,120,355</u>

Other Local Sources:

Interest on Investments	13,409
Tuition from Other Districts	276,544
Tuition from Individuals	46,117
Transportation Fees	14,200
Rent	66,505
Miscellaneous	192,688
	<u>609,463</u>
	<u>7,729,818</u>

State Sources:

State Foundation Aid	10,920,887
Foster Care State Aid	7,925
Teacher Leadership Grants	644,693
Administrator Mentoring Program	15,600
Successful Progression for Early Readers Grant	29,270
Non-Public Transportation Aid	85,651
Non-Public Textbook and Technology Aid	9,176
Vocational Education Aid	23,170
State Replacement for C&I Property Valuations Reductions	138,141
AEA Flow-Through	921,745
	<u>12,796,258</u>

Federal Sources:

Title I Grants to Local Educational Agencies	225,173
Improving Teacher Quality State Grants	54,110
Title IIA- Federal Teacher Quality Program	1,540
Career and Technical Education - Basic Grants to States	19,527
Special Education Pass-Through - IDEA Grant	111,977
English Language Acquisition Grants	5,225
Title VI Grants for Assessments and Related Activities	10,165
Medicaid	60,285
	<u>488,002</u>
Total Revenue	<u>\$ 21,014,078</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (Continued)

Expenditures:

**Instruction:**

Regular Instruction:

Salaries	\$ 7,742,939
Benefits	2,477,994
Services	658,966
Supplies	169,194
Property	33,291
	<u>11,082,384</u>

Special Education Instruction:

Salaries	1,718,686
Benefits	605,116
Services	259,538
Supplies	9,960
Property	240,675
	<u>2,833,975</u>

Vocational Instruction:

Supplies	18,224
Property	1,828
	<u>20,052</u>

Co-curricular Instruction:

Salaries	329,959
Benefits	55,052
Services	30,631
Supplies	537
	<u>416,179</u>

Nonpublic Instruction:

Supplies	9,176
	<u>9,176</u>

**Total Instruction**

14,361,766

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	366,541
Benefits	122,071
Services	452
Supplies	6,236
	<u>\$ 495,300</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$ 90,851
Benefits	50,836
Services	276
Supplies	5,000
Property	834
	<u>147,797</u>

**Total Student Services**

643,097

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries	389,163
Benefits	95,469
Services	29,081
Supplies	11,869
	<u>525,582</u>

Educational Media Services:

Salaries	177,080
Benefits	42,558
Supplies	20,371
	<u>240,009</u>

Other Instructional Staff Support Services:

Salaries	138,621
Benefits	47,870
Services	19,585
Supplies	68,505
Property	5,019
	<u>279,600</u>

**Total Instructional Staff Services**

1,045,191

**Support Services:**

**Administration Services:**

Executive Administration:

Salaries	280,363
Benefits	120,937
Services	48,863
Supplies	8,489
Property	600
	<u>\$ 459,252</u>

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

Salaries	\$ 852,366
Benefits	397,827
Services	11,614
Supplies	2,436
Property	390
	<u>1,264,633</u>

Business Administration:

Salaries	34,024
Benefits	17,361
Services	3,617
Supplies	23,502
Property	385
	<u>78,889</u>

Board of Education:

Services	66,467
Supplies	6,604
Property	10,150
	<u>83,221</u>

<b>Total Administration Services:</b>	<u>1,885,995</u>
---------------------------------------	------------------

**Support Services:**

**Plant Operation and Maintenance:**

Salaries	656,090
Benefits	264,495
Services	116,844
Supplies	424,265
Property	6,078
	<u>1,467,772</u>

**Support Services:**

**Student Transportation:**

Salaries	420,166
Benefits	94,397
Services	47,085
Supplies	124,263
Property	489
	<u>686,400</u>

<b>Total Support Services</b>	<u>\$ 5,728,455</u>
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Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	\$ 921,745
Total Expenditures	<u>21,011,966</u>
Excess of Revenues Over Expenditures	<u>2,112</u>
Other Financing Sources:	
Transfers From Other Funds	<u>29,021</u>
Excess of Revenues and Other Financing Sources Over Expenditures	31,133
Fund Balance - Beginning of Year	<u>3,068,572</u>
Fund Balance - End of Year	<u><u>\$ 3,099,705</u></u>

See accompanying independent auditors' report

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015**

					Schedule 2
	Balance June 30, 2014	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2015
<b>Senior High</b>					
Bark	\$ 2,597	\$ 13,723	\$ 16,320	\$ -	\$ -
F.F.A.	19,431	31,450	29,245	-	21,636
Miscellaneous Music	8,008	29,373	23,084	-	14,297
F.C.A.	502	639	875	-	266
Library Club	2,026	866	468	-	2,424
Vocal Music	3,250	11,639	8,976	-	5,913
Instrumental Music	14,896	109,407	119,392	-	4,911
Music Orchestra	5,457	12,516	9,249	-	8,724
National Honor Society	-	426	426	-	-
Dance Team	4,120	16,374	15,921	-	4,573
Student Council	41,703	105,025	122,159	-	24,569
Thespians	3,175	1,544	1,370	-	3,349
Spanish Club	2,666	4,067	4,271	-	2,462
Drama	9,515	2,337	2,431	-	9,421
Trades and Industries	9,848	855	1,578	-	9,125
Miscellaneous Athletics	57,550	270,631	246,897	-	81,284
Clearing	-	69,627	57,817	(10,663)	1,147
Cheerleaders	8,719	6,493	6,951	-	8,261
Senior Class	746	1,119	745	-	1,120
Junior Class	-	4,494	4,494	-	-
Sophomore Class	-	140	140	-	-
Miscellaneous	78,235	1,631	12,519	-	67,347
Technology Club	653	310	127	-	836
Home Economics Club	962	618	618	-	962
Math Club	247	20	67	-	200
Science Club	102	2,205	2,200	-	107
Large Group Speech	8,974	8,345	4,490	-	12,829
Individual Speech	8,689	100	4,011	-	4,778
Basketball Scoreboard Club	28,413	-	1,496	-	26,917
Adaptive PE	43	509	509	-	43
Make-A-Wish Club	1,939	172	-	-	2,111
Madrigal Club	697	-	-	-	697
	<u>\$ 323,163</u>	<u>\$ 706,655</u>	<u>\$ 698,846</u>	<u>\$ (10,663)</u>	<u>\$ 320,309</u>

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule 2 (Continued)					
	Balance June 30, 2014	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2015
<b>Middle School</b>					
Miscellaneous	\$ 3,925	\$ 2,887	\$ 4,719	\$ -	\$ 2,093
Student Council	14,986	12,197	20,523	-	6,660
Library	969	5,125	5,793	-	301
Clearing	869	17,518	8,458	(9,366)	563
Music	4,250	8,736	4,296	-	8,690
Musical	3,961	-	-	-	3,961
Instrument Rental	3,981	1,205	2,067	-	3,119
Family & Consumer Science	473	6,601	6,280	-	794
Art	511	-	-	-	511
	<u>33,925</u>	<u>54,269</u>	<u>52,136</u>	<u>(9,366)</u>	<u>26,692</u>
 <b>Elementary School</b>	 <u>22,096</u>	 <u>41,645</u>	 <u>22,323</u>	 <u>(18,418)</u>	 <u>23,000</u>
 Total for Activity Funds	 <u>\$ 379,184</u>	 <u>\$ 802,569</u>	 <u>\$ 773,305</u>	 <u>\$ (38,447)</u>	 <u>\$ 370,001</u>

See accompanying independent auditors' report



LEMARS COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2015

				Schedule 3
	Balance			Balance
	July 1, 2014	Additions	Deductions	June 30, 2015
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 26,805	\$ 105,962	\$ 108,042	\$ 24,725
Total Assets	<u>26,805</u>	<u>105,962</u>	<u>108,042</u>	<u>24,725</u>
<u>Liabilities</u>				
Other Payables	26,805	105,962	108,042	24,725
Total Liabilities	<u>\$ 26,805</u>	<u>\$ 105,962</u>	<u>\$ 108,042</u>	<u>\$ 24,725</u>

See accompanying independent auditors' report

LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE TEN YEARS ENDED JUNE 30, 2015

	Modified Accrual Basis of Accounting				
	2015	2014	2013	2012	2011
Revenues:					
Local Sources:					
Local Tax	\$ 9,682,588	\$ 9,563,859	\$ 9,501,509	\$ 9,416,399	\$ 8,851,041
Tuition	322,661	308,148	267,948	384,513	341,877
Other	1,144,335	1,145,228	984,153	826,638	1,022,808
Intermediate Sources	-	-	-	-	-
State Sources	12,807,124	11,701,629	10,720,020	10,953,395	10,681,236
Federal Sources	488,002	482,988	496,299	549,936	1,306,757
Total	24,444,710	23,201,852	21,969,929	22,130,881	22,203,719
Expenditures:					
Instruction:					
Regular	11,415,126	10,559,490	10,190,639	9,897,332	9,448,027
Special	2,833,975	2,754,033	2,446,884	2,369,532	2,359,238
Other	1,218,712	1,317,458	1,020,827	924,902	969,477
Support Services:					
Student	643,097	560,427	564,480	505,454	524,518
Instructional Staff	1,045,191	855,575	813,691	772,058	758,813
Administration	1,885,995	1,869,236	1,645,674	1,568,346	1,453,631
Operation and maintenance of plant	1,542,916	1,506,041	1,437,132	1,309,084	1,248,967
Transportation	706,547	741,840	699,417	704,515	701,634
Non-instructional programs	-	-	-	-	-
Other Expenditures:					
Facilities Acquisition	1,490,871	1,344,343	934,130	5,903,328	3,267,019
Long-term debt:					
Principal	685,380	665,000	500,000	575,000	530,000
Interest and other charges	205,450	218,900	229,550	198,338	132,328
AEA Flowthrough	921,745	885,980	828,651	826,793	913,065
Total	\$ 24,595,005	\$ 23,278,323	\$ 21,311,075	\$ 25,554,682	\$ 22,306,717

See accompanying independent auditors' report

Schedule 4

Modified Accrual Basis of Accounting				
2010	2009	2008	2007	2006
\$ 8,107,279	\$ 7,509,783	\$ 7,319,695	\$ 6,879,567	\$ 6,604,110
418,088	364,507	291,281	348,482	370,821
971,973	960,246	1,076,052	1,098,699	1,048,247
-	-	-	-	34,263
9,496,323	10,830,511	10,778,651	10,150,311	9,570,986
1,631,881	758,845	502,542	480,901	485,875
20,625,544	20,423,892	19,968,221	18,957,960	18,114,302
9,654,607	9,747,060	9,612,172	8,964,243	8,321,990
2,409,307	2,084,682	2,139,082	2,030,077	1,806,407
1,024,017	973,705	895,369	948,924	360,416
516,667	483,120	608,896	590,864	1,186,511
765,408	774,973	831,430	773,251	843,276
1,525,895	1,491,463	1,563,202	1,499,834	1,505,878
1,252,760	1,227,116	1,199,054	1,137,232	1,142,788
701,436	686,796	696,615	640,820	651,374
-	-	-	-	143,645
998,090	1,385,729	4,082,584	895,540	972,783
515,000	490,000	90,000	290,000	400,000
63,180	82,290	53,864	13,486	30,686
905,931	804,981	785,738	749,734	685,660
\$ 20,332,298	\$ 20,231,915	\$ 22,558,006	\$ 18,534,005	\$ 18,051,414

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

			Schedule 5
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY15	\$ 52,832
National School Lunch Program	10.555	FY15	401,637 *
			<u>454,469</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	225,173
Career and Technical Education - Basic Grants to States	84.048	FY15	19,527
Improving Teacher Quality State Grants	84.367	FY15	55,650
Grants for State Assessments and Related Activities	84.369	FY15	10,165
Northwest Area Education Agency			
Special Education - Grants to States	84.027	FY15	111,977
English Language Acquisition Grants	84.365	FY15	5,225
			<u>5,225</u>
Total			<u>\$ 882,186</u>

\* - Includes \$74,579 of non-cash awards.

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Schedule 6**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Schedule 6 (Continued)**

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**MATERIAL WEAKNESS:**

**II-A-15 Financial Reporting**

Observation – During the audit, we identified material audit adjustments relating to various revenue accounts as well as the recording of capital assets in the District's financial statements. Adjustments were subsequently made by the District to properly include and correct these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all revenues are properly classified and capital asset activity is identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any payables or capital asset transactions.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-15      Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the amounts budgeted in the instruction program function.

Recommendation – The Certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be reviewed to ensure proper classification of the amendment.

Conclusion – Response accepted.

IV-B-15      Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Schedule 6 (Continued)**

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**Part IV: Other Findings Related to Statutory Reporting (Continued)**

- |         |   |
|---------|---|
| IV-C-15 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.   |
| IV-D-15 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted.  |
| IV-E-15 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.                    |
| IV-F-15 | <u>Board Minutes</u> – No transactions requiring Board approval which had not been approved by the Board were noted.  |
| IV-G-15 | <u>Certified Enrollment</u> – A variance of (0.10) was identified in basic enrollment data certified to the Iowa Department of Education in October, 2014. This variance was discovered by the Department of Education and the District agrees with the variance. |
| IV-H-15 | <u>Supplementary Weighting</u> – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.   |
| IV-I-15 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.   |
| IV-J-15 | <u>Certified Annual Report</u> – The Certified Annual Report was certified timely to the Department of Education.   |
| IV-K-15 | <u>Categorical Funding</u> – No instances were noted of categorical funding being used to supplant rather than supplement other funds.  |

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**Schedule 6 (Continued)**

**Part IV: Other Findings Related to Statutory Reporting (Continued)**

IV-L-15      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance			\$ 3,931,177
Revenues:			
Sales tax revenues	\$ 1,981,918		
Sale of Real Property	16,139		
Other local revenues	<u>8,048</u>	<u>2,006,105</u>	
			5,937,282
Expenditures:			
School infrastructure construction	1,145,114		
Other	1,000		
Transfers to debt service fund	<u>897,968</u>	<u>2,044,082</u>	
Ending Balance			<u>\$ 3,893,200</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

**Part V: Findings – Year Ended June 30, 2014**

There were no prior year audit findings.





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Le Mars Community School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Le Mars Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Le Mars Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-15 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported

under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **Le Mars Community School District's Response to Findings**

The Le Mars Community School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Le Mars Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
October 15, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the  
Le Mars Community School District:

**Report on Compliance for Each Major Federal Program**

We have audited the LE MARS COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Le Mars Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Le Mars Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Le Mars Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Le Mars Community School District's internal

control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Williams & Lysman, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 15, 2015